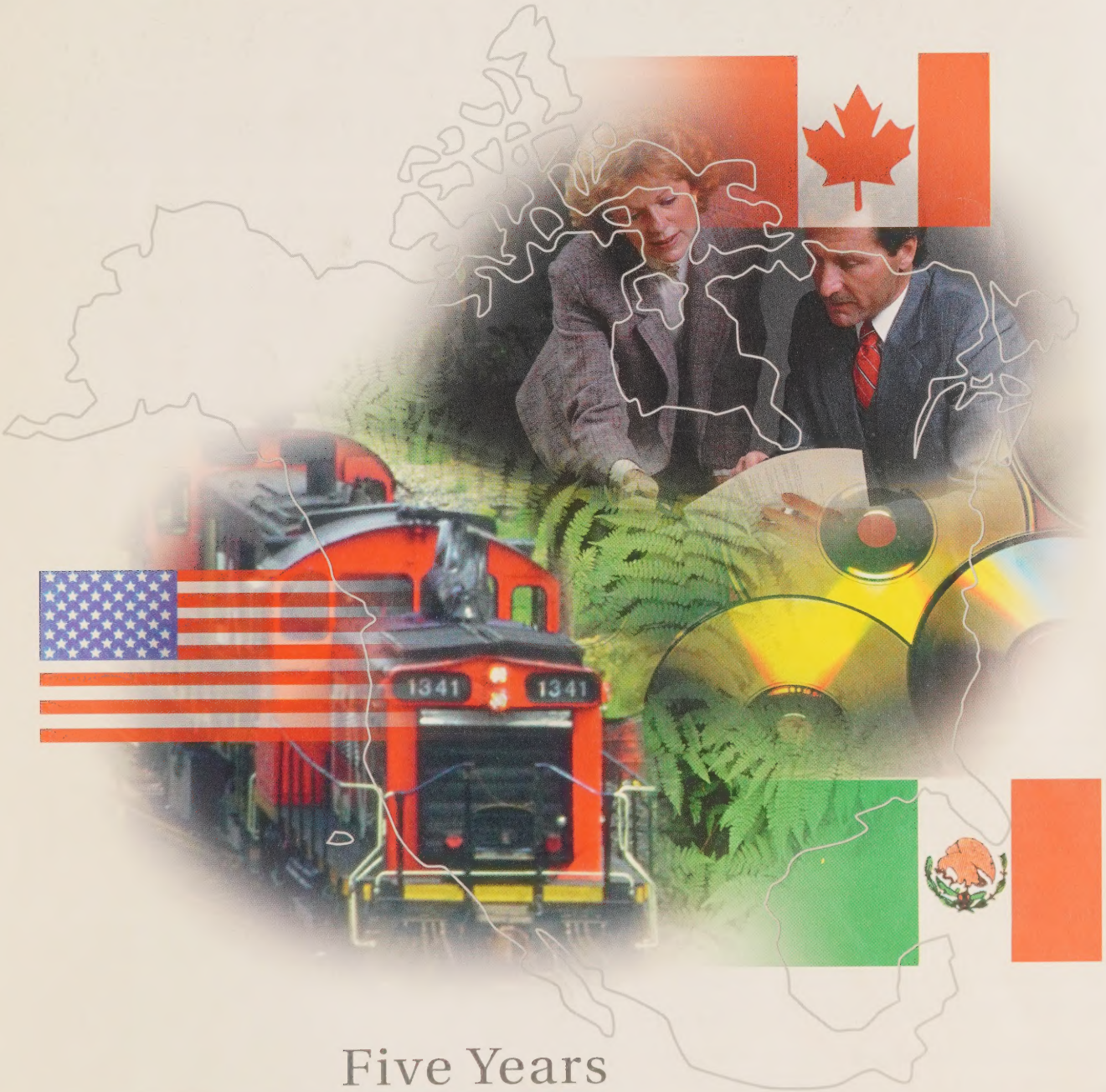
CA1
EA
-1999
N18 c.2

Government
Publications

NAFTA Works



Five Years

Three Countries

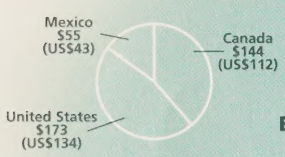
One Partnership

In days past, closed borders hampered trade and increased costs to consumers and governments alike. But times change. Markets are opening up, barriers are tumbling down and the free flows of goods, services, investment and ideas mean our economies are integrating as never before. Today, companies are treating the world as their marketplace — and the opportunities for investors, businesses, workers and consumers are better than ever before.

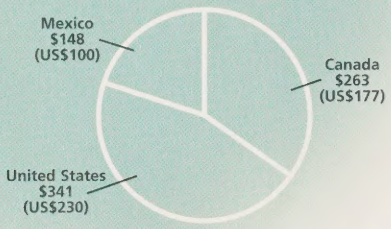
NAFTA fuels

economic growth...

Exports to NAFTA Partners, 1993
(billions of dollars)

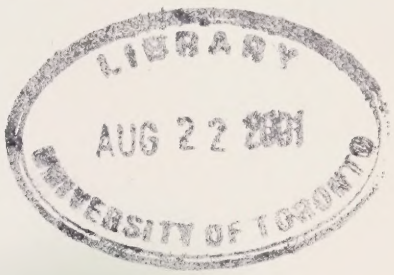


Exports to NAFTA Partners, 1998
(billions of dollars)



Source: Import data from U.S. Department of Commerce (USDOC), Statistics Canada and Secretaría de Comercio y Fomento Industrial (SECOFI)

In 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement (NAFTA) and formed the world's largest free trade area. Our decision to open doors and break down barriers is producing a thriving relationship among our three countries — one that has led to strong economic growth in the region and that has helped to fuel global economic growth in recent years. Between 1994 and 1998, Canada's economy grew by an average of 2.8 percent, while the U.S. and Mexican economies grew by an average of 3.3 percent and 3 percent, respectively.



...and dynamic trade

Since NAFTA was implemented, trade within North America has increased around 75 percent. All three NAFTA partners now enjoy a bigger piece of a much larger trade pie — and the jobs and economic opportunities created are key to our continued well-being. Merchandise trade[1] among NAFTA's partners reached $752 billion (US$507 billion) in 1998, a leap of $380 billion (US$218 billion) in just five years.

- The United States remains Canada's and Mexico's largest trading partner.
- Canada is the United States' largest trading partner.
- Mexico is the second-largest market for U.S. goods.
- Canada is the second-largest market for Mexican goods.

During NAFTA's first five years:

- Mexico-U.S. trade has nearly doubled, surging an average of 17 percent annually;
- Canada and the United States have increased their already substantial trade by an average annual growth rate of almost 10 percent; and
- Canada-Mexico trade has increased by almost 13 percent annually.

NAFTA has resulted in strong and steady growth in merchandise trade and has stimulated trade in services, a sector we expect will grow in the future. NAFTA has benefited all three of its partners and has helped North America become a more prosperous trading region.

Bilateral Trade Between NAFTA Partners, 1998 **(billions of dollars)**



Source: Import data from USDOC, Statistics Canada and SECOFI

[1] *Unless otherwise specified, the trade statistics herein refer to merchandise trade and are in Canadian dollars. Each country supplied import data on a customs-value basis. Data source: U.S. Department of Commerce (USDOC), Statistics Canada and Secretaría de Comercio y Fomento Industrial (SECOFI).*

NAFTA partners promote environmental protection...

NAFTA partners recognize the importance of enhancing environmental protection, and the need to cooperate in the enforcement of environmental laws. In order to achieve these goals, NAFTA partners have established several institutions through the North American Agreement on Environmental Cooperation.

Along the U.S.-Mexico border the North American Development Bank and the Border Environmental Cooperation Commission are working on the development and financing of environmental infrastructure projects. To date, 27 projects have been certified.

The Commission for Environmental Cooperation (CEC) promotes environmental protection and conservation through projects for pollution prevention, waterways management and wildlife protection, among others. Through the North American Fund for Environmental Cooperation, the CEC has financed over 90 community-based environmental projects in Canada, Mexico and the United States.



NAFTA enriches us all...

NAFTA delivers real benefits for workers and their families. To secure these benefits an institution-building process has taken place. Through the North American Agreement on Labour Cooperation and its Commission, each NAFTA partner is committed to enforcing its labour laws and to cooperating in areas of industrial relations, employment standards, occupational safety and health, and human resource development, among others.

...and provides greater job opportunities in North America



Since NAFTA took effect, employment has risen in all three NAFTA countries.

During NAFTA's first five years:

- Employment in Canada grew by 10.1 percent, generating 1.3 million jobs;
- Employment in Mexico grew by 22 percent, generating 2.2 million jobs; and
- Employment in the United States grew by more than 7 percent, generating 12.8 million jobs.

Clearly, trade has helped to boost employment in all three countries. New exports create more and better jobs in the home market. Since the Agreement was implemented, all three countries have registered substantial growth in their exports, and a significant portion of total job growth has been export-related.

NAFTA stimulates investment...

NAFTA has increased opportunities for investors. Since 1994, investment in Canada, the United States and Mexico has been dynamic and growing:

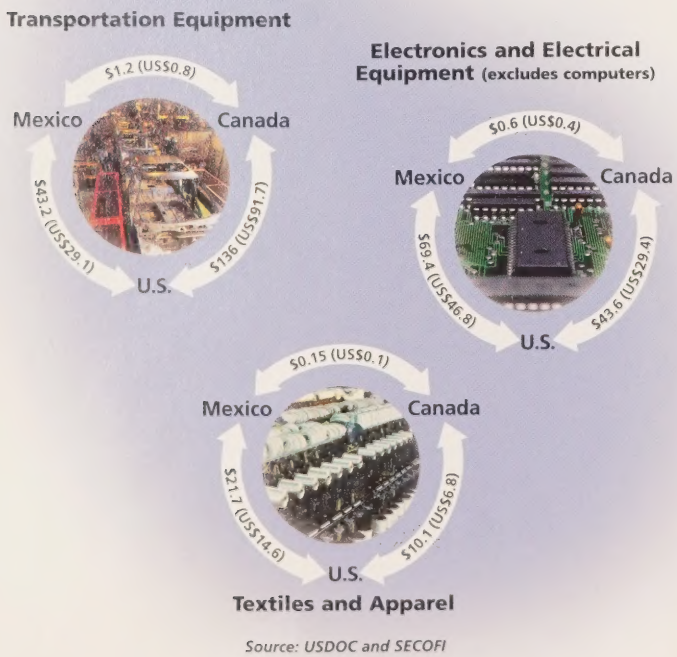
- NAFTA partners have invested $262 billion (US$189 billion) in one another's economies, while total foreign direct investment in NAFTA countries has reached $1.2 trillion (US$864 billion).
- Total foreign direct investment in Canada through 1997 totalled $187 billion (US$135 billion), nearly 70 percent of which came from the United States and Mexico. Since NAFTA came into effect, investment from the United States and Mexico has increased more than 43 percent.
- The flow of foreign investment into Mexico between 1994 and 1997 reached $65 billion (US$47 billion), with more than 60 percent coming from Canada and the United States.
- Total foreign direct investment in the United States through 1997 totalled almost $944 billion (US$682 billion), 9.6 percent of which came from Canada and Mexico. Since NAFTA came into effect, investment from Canada and Mexico has increased 58 percent.

While NAFTA's success is usually linked with opening markets to goods and services, its ability to attract foreign investment within the region may prove to be one of the Agreement's most powerful and enduring legacies.



...while creating productive partnerships

Bilateral Trade Between NAFTA Partners in Key Sectors, 1998 (billions of dollars)



Source: USDOC and SECOFI

NAFTA has helped create a more integrated North American market. The Agreement strengthens trade by reducing barriers and guaranteeing access to each country's market. This frees businesses to make decisions based on the most efficient use of resources and fosters production-sharing partnerships in which different parts of the manufacturing process are performed throughout the region.

In an integrated market, a company can design a product in one NAFTA country, manufacture parts in a second NAFTA country, assemble the goods in a third NAFTA country and sell the finished items in the region and around the world. Production partnerships in the electronics, automotive and textile industries have helped spark strong growth in these sectors, boosting exports around the world of North American-made goods.

NAFTA works for small and medium-sized businesses...



Trade involves companies large and small creating jobs in our communities.

Small and medium-sized companies are the engines of economic opportunity and job growth. They are the most vibrant ingredient of our economies. Their size makes them nimble, their products make them competitive and their energy makes them successful. Recent studies show that 97 percent of Canadian, 96 percent of U.S. and 95 percent of Mexican exporters are small and medium-sized businesses.

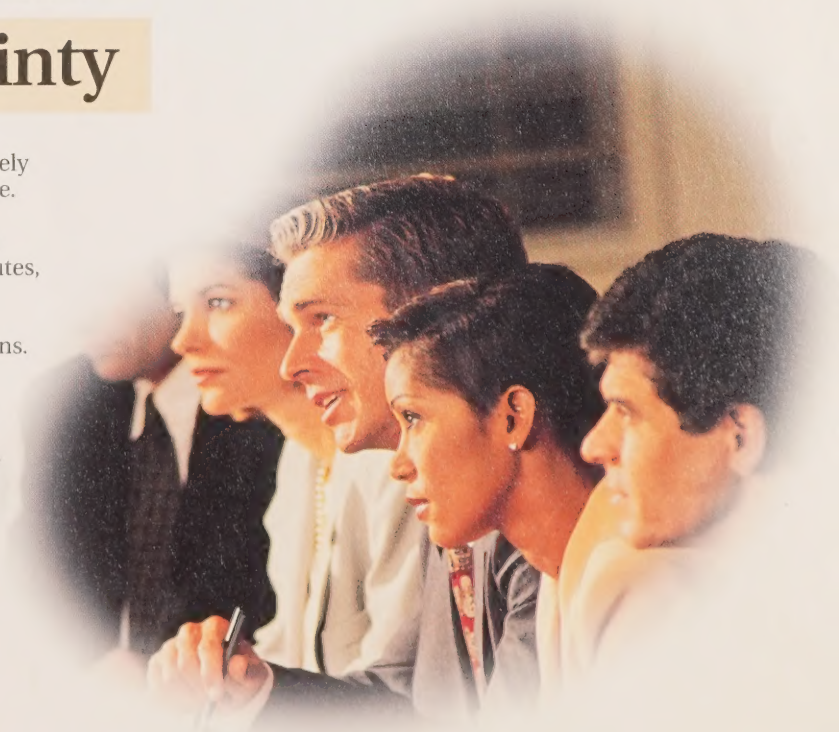
When you consider that most new jobs are created by smaller businesses, it is clear that we need to encourage our small and medium-sized enterprises to look abroad for new opportunities — and reap the benefits of being part of North America's dynamic exporting sector.

...and provides fairness and certainty

Even where the bulk of trade and investment flows freely across borders, some disagreements are bound to arise.

That is why NAFTA's partners created an independent and effective rules-based system. In the event of disputes, NAFTA directs the governments concerned to seek to resolve their differences amicably through NAFTA's Committees and Working Groups or other consultations. NAFTA also provides for expeditious and effective panel procedures.

We have seen this system work, experienced its effectiveness and understand its value.



3 1761 11553595 7

Looking forward



Five successful years of NAFTA are just the beginning. In the years ahead, opportunities will continue to grow as trade barriers are lowered even further, production partnerships continue to flourish and our global competitiveness solidifies.

Quality of life will continue to improve as consumers across North America gain access to better products at cheaper prices.

Five years, three countries and one NAFTA partnership. It's a formula for economic and social success today and in the years to come.

For more information about NAFTA, visit our Web sites:

- Canada: http://www.dfait-maeci.gc.ca
- United States: http://www.ustr.gov
- Mexico: http://www.secofi.gob.mx



Sergio Marchi

Canada's Minister
for International Trade



Herminio Blanco Mendoza

Secretary of Commerce &
Industrial Development
of Mexico



Charlene Barshefsky

United States
Trade Representative

Department of Foreign Affairs and International Trade
Ministère des Affaires étrangères et du Commerce international

SECOFI
SECRETARÍA DE COMERCIO Y FOMENTO INDUSTRIAL

PRINTED ON RECYCLED PAPER PRINTED IN CANADA APRIL 1999